



STONEGATE
RESOURCES, L.L.C.

Eric Noblitt

March 6, 2006

Ms. Diana Whitney
Division of Oil, Gas and Mining
Box 14581
Salt Lake City, Utah 84114-5801

Re: Application For Permit To Drill
Royale Energy, Inc.'s, - Moon Canyon # 3 Well
Sec. 1: T16S-R21E
Grand County, Utah

Dear Ms. Whitney:

Enclosed, please find two (2) fully executed copies of Royale Energy's State APD and exception location letter for the above referenced well. A copy of the Cultural Resource Inventory report will follow under separate cover.

Please do not hesitate to contact me at (970) 245-3951 regarding any questions you may have regarding this application.

Sincerely,

Eric Noblitt, Agent
Royale Energy, Inc.

c.c. Lauren Hartwell – Royale Energy, Inc.

RECEIVED
MAR 13 2006
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL				5. MINERAL LEASE NO: ML-47218	6. SURFACE: State
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>				7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>				8. UNIT or CA AGREEMENT NAME: Moon Canyon	
2. NAME OF OPERATOR: Royale Energy, Inc 7676 Hazard Center Dr. Suite 1500				9. WELL NAME and NUMBER: Moon Canyon #3	
3. ADDRESS OF OPERATOR: CITY San Diego STATE CA ZIP 92108				PHONE NUMBER: (619) 881-2800	10. FIELD AND POOL, OR WILDCAT: Moon Ridge <i>Wildcat</i>
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 270' FNL & 2,190' FWL AT PROPOSED PRODUCING ZONE: Same				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 1 16S 21E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 60 miles Northwest of Fruita, CO.				12. COUNTY: Grand	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 270'		16. NUMBER OF ACRES IN LEASE: 1280.32		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA		19. PROPOSED DEPTH: 12,300		20. BOND DESCRIPTION: SITLA Lease Bond	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 7,172' GR		22. APPROXIMATE DATE WORK WILL START: 5/15/2006		23. ESTIMATED DURATION: 30 days	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12-1/4	9-5/8	J-55	36#	1,200	"G"	650 sx	1.17 15.8
8-3/4	7	N-80	23#	6,800	50/50 POZ	800sx	1.26 14.2
6-1/4	4-1/2	P-110	11.6#	12,300	50/50 Poz	560 sx	1.26 14.2

ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

- | | |
|--|--|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER

<input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN

<input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |
|--|--|

NAME (PLEASE PRINT) Eric Noblitt TITLE Agent
SIGNATURE *Eric Noblitt* DATE 3/6/2006

(This space for State use only)

API NUMBER ASSIGNED: 43-019-31471

**Approved by the
Utah Division of
Oil, Gas and Mining**

APPROVAL:

Date: 01-23-08

(See Instructions on Reverse Side)

By: *[Signature]*

**RECEIVED
MAR 13 2006**

DIV. OF OIL, GAS & MINING

T16S, R21E, S.L.B.&M.

1920 Brass Cap,
1.5' High, Pile of
Stones

S89°59'02"W - 2643.90' (Meas.)

WEST - 2640.00' (G.L.O.) T15 1/2S

1920 Brass Cap,
1.0' High, Pile of
Stones

T16S

Lot #4

Lot #3

Lot #2

Lot #1

MOON CANYON #3

Elev. Ungraded Ground = 7172'

S00°02'13"W - 2639.54' (Meas.)

1920 Brass Cap,
1.5' High, Pile of
Stones

S00°11'47"E - 2640.81' (Meas.)

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.

NORTH - 5280.00' (G.L.O.)

S89°58'W - 5290.56' (G.L.O.)

1920 Brass Cap,
2.0' High, Pile of
Stones

R R
21 22
E E

(STATE PLANE NAD 27)

N = 413192.994

E = 2549801.422

(AUTONOMOUS NAD 27)

LATITUDE = 39°27'04.82 (39.451339)

LONGITUDE = 109°33'10.09" (109.552803)

LEGEND:

└─┘ = 90° SYMBOL

● = PROPOSED WELL HEAD.

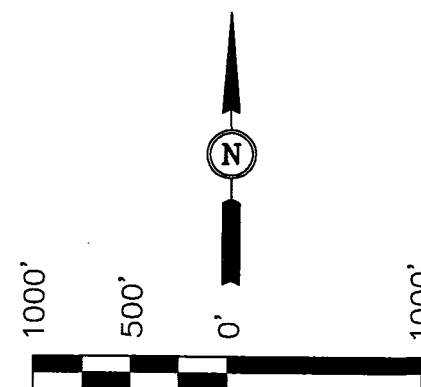
▲ = SECTION CORNERS LOCATED.

ROYALE ENERGY, INC.

Well Location, MOON CANYON #3, located as shown in the NE 1/4 NW 1/4 of Section 1, T16S, R21E, S.L.B.&M. Grand County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION AT AN OIL WELL LOCATED IN THE NE 1/4 OF SECTION 15, T16S, R21E, S.L.B.&M. TAKEN FROM THE TENMILE CANYON NORTH QUADRANGLE, UTAH, GRAND COUNTY, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 7620 FEET.



SCALE

CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

[Signature]

REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

UINTAH ENGINEERING & LAND SURVEYING

85 SOUTH 200 EAST - VERNAL, UTAH 84078

(435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 11-23-05	DATE DRAWN: 11-30-05
PARTY J.W. T.C. S.L.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE ROYAL ENERGY, INC.	

MOON CANYON #3
Application For Permit To Drill (Attachment)
State of Utah, Division of Oil, Gas and Mining Form 3

**Request for Exception to Location and Siting of Wells: R649-3-3, Moon Canyon #3,
NE/4NW/4 Sec. 1 – T16S-R21E, Grand County, Utah**

As part of the Application for Permit To Drill for the Moon Canyon #3, Royale Energy, Inc., as Operator of SITLA Lease ML-47218, request an exception to the general state siting rule for the Moon Canyon #3 well. The subject well is a proposed 12,300' gas well on State Lease ML-47218, located within the Moon Canyon Federal Unit Area. Geological restraints on the physical well location force Royale to request this exception pursuant to Rule 649-3-3.

The proposed well location is 270 feet from the nearest lease line and Unit boundary. Royale Energy, Inc. owns 75% working interest and National Fuels Corp. a 25% working interest in ML-49157. SITLA owns the surface and minerals on the above described leases. There are no other owners within 460 feet of the proposed well location

Attached and made part of the subject APD are:

Survey Plat of the proposed location

Topographic maps showing location, section and unit boundaries.

ROYALE ENERGY, INC.

Lease # ML-47218

Moon Canyon #3

NE/4NW/4; Section 1, Township 16 South, Range 21 East, SLM
Grand County, Utah

Surface Use & Operations Plan

Ownership

Surface & Minerals:

State of Utah
School Trust Lands
675 E. 500 S.
Salt Lake City, UT 84102
(801) 538-5100

1. EXISTING ROADS – Refer to Exhibit Topo Maps “A” and “B”.
 - A. The proposed wellsite has been surveyed to memorialize the existing well pad (see Location Layout Plat)
 - B. To reach the proposed location from the UT/CO state line proceed East on Interstate 70 approximately 4.6 miles to the Westwater exit; proceed north .3 mile, turn right and go East 2.2 miles to Hay Canyon & East Canyon road (At National Fuel sign) turn left, proceed Northwest 12.6 miles to Hay Canyon road, turn left and travel up Hay Canyon 13.8 miles to Divide road. Turn left. Heading west, travel 9.3 miles to Moon Ridge sign. Turn right. Proceed 5.6 miles. Turn right on existing 2 track road. Travel 5.2 on new access road to Moon Canyon #3 location.
 - C. Access roads refer to Exhibit Topo Maps “A” and “B”.
 - D. Access roads within a one (1) mile radius, none – refer to Exhibit Topo Maps “A” and “B”.
 - E. The existing roads will be maintained in the same or better condition as existed prior to the commencement of operation and said maintenance will continue until final abandonment and reclamation of said well location.
2. EXISTING 2-TRACK ROADS (needing upgrade) – Refer to Map Exhibits “A” & “B”

Access to the location will be on Grand County maintained roads until you turn east(right)off the County road in the SW ¼, Section 26, T 16S-21E. The road will follow an existing 2-track 5.2 mile crossing BLM and State lands to Moon Canyon #3 location.

- A. Width – The current approximate width is approximately 12 foot running surface. This road will be widen and improved where needed to a twenty (20) foot running surface.
- B. Construction Standard – Any road improvements will be conducted in accordance and with consultation with the appropriate governing authority.
- C. Maximum grade – The maximum grade is under 8%.
- D. Turnouts – Several turnouts exist on the existing road any new turnouts will be consultation of the appropriate governing authority.
- E. Drainage design – The existing road shall be maintained to provide proper drainage along the road.
- F. Culverts and low water crossings – No culverts are anticipated.
- G. Surface material – It is anticipated that no additional surface material will be required for drilling and production operations. Should spot graveling be required during drilling operations, gravel would be obtained from the nearest commercial site.
- H. Gates, cattleguards or fence cuts: No Fence cuts or cattleguards will be required along the proposed existing route. All gates will be maintained during operations.
- I. Road maintenance – During both the drilling and production phase of operations, the road surface will be kept in a safe and useable condition and will be maintained in accordance with the original construction standards. All drainage ditches and culverts will be kept clear and free-flowing, and will also be maintained in accordance with the original construction standards. The access road will be kept free and clear of trash during all operations.

3. LOCATION OF EXISTING WELL WITHIN A ONE-MILE RADIUS

- | | | |
|----|-----------------------------|------|
| A. | Water wells | none |
| B. | Abandoned wells | none |
| C. | Temporarily abandoned wells | none |
| D. | Disposal wells | none |
| E. | Proposed wells | none |
| F. | Shut-in wells | none |
| G. | Producing | none |

4. LOCATION OF PROPOSED FACILITIES

- A. All production facilities will be located on the disturbed portion of the well pad and at a minimum from of twenty-five (25) feet from the toe of the back slope or top of the fill slope.
- B. Production facilities will be located on the drillsite location. A diagram showing the proposed production facility layout will be submitted to the Division via Sundry Notice (Form # 9) will be submitted upon completion and installation of facilities.
- C. An existing pipeline for gas gathering is in place in Sec. 26, T16S-R21E. If the subject is commercial a 3" welded surface line will be laid adjacent to the new improved 2-track from the Drillsite to Section 26.
- D. All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, non-reflective color to match the standard environmental colors. All facilities will be painted within six months of installation. Facilities required by OSHA may be excluded. Colors will be Juniper Black, unless otherwise advised by the governing authority.
- E. If a gas meter run is constructed, it will be located within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream until it leaves the pad. The meter run will be housed. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of the Division and the American Gas Association (AGA) Report No. 3.
- F. If a tank battery is constructed on the lease, it will be surrounded by a berm of sufficient capacity to contain 1 1/2 times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurements shall conform to provisions of the Division.
- G. Production facilities on location may include a lined or unlined water pit as specified in Division rule R649-3-16. Any pit will be fenced with barbwire held in place by metal side post and wooden corner "H" braces in order to protect livestock and wildlife.
- H. During drilling and subsequent operations, all equipment and vehicles will be confined to the access road, drill pad and any additional area specified in the approved Application for Permit to Drill (APD).
- I. Reclamation of disturbed areas no longer needed for operations will be accomplished by grading, leveling and seeding as provided for in Division rule R649-3-34.

5. LOCATION AND TYPE OF WATER SUPPLY

- A. Water supply for the subject well shall come from a private source in Sec. 6, T16S-R23, owned by Bert Delambert. Water Change Application #t30440 authorizes such use.
- B. No water well will be drilled.

6. SOURCE OF CONSTRUCTION MATERIALS

- A. It is not anticipated that any construction materials (gravel) will be required during construction or operations. If required, a private contractor (or surface owner) having a previously approved source within the general area will be used.
- B. No construction material will be taken from Federal lands.

7. METHODS OF HANDLING WASTE MATERIALS

- A. Cuttings - The drill cuttings will be deposited in the reserve pit.
- B. Drilling fluids - All fluids including chemicals will be contained in the reserve pit. The reserve pit will be designed to prevent the collection of surface runoff and will be constructed with a minimum of one-half (1/2) total depth below the original ground level and at the lowest point within the pit. Pursuant to Division rule R649-3-16 & 34, prior to back-filling the reserve pit liquids will be disposed in an approved facility and the contents will be allowed to dry. The disturbed portion of the pad will be reclaimed. A 12-mil synthetic pit liner is proposed.
- C. Produced fluids - Liquid hydrocarbons that may be produced during completion operations will be placed in test tanks on the location. Produced water will be placed in the reserve pit for a period not to exceed ninety days after initial production.

Any spills of oil, gas, salt water or any other potentially hazardous substances will be cleaned up and immediately removed to an approved disposal site in accordance with Division rule R649-3-32.

- D. Sewage - Portable, self-contained chemical toilets will be provided for human waste disposal. Upon completion of operations, or as required, these toilets will be removed and the contents thereof disposed of in an approved sewage disposal facility.
- E. Garbage and other waste material - All garbage and non-flammable waste materials will be contained in a dumpster or trash cage. Upon completion of operations, or as needed, the accumulated trash will be hauled off-site to an approved sanitary landfill. No trash will be placed in the reserve pit during any operations pertaining to this well.
- F. Immediately after removal of the drilling rig, all debris and other waste materials not contained in the trash cage will be cleaned up and removed from the well location. No potentially adverse materials or substances will be left on location.

- G. Any open pits will be fenced during the drilling operation and said fencing will be maintained until such time as the pits have been back-filled.

8. ANCILLARY FACILITIES

None anticipated.

9. WELLSITE LAYOUT

- A. Attached hereto is a diagram showing the proposed location layout. No permanent living facilities are planned. There will be approximately three (3) trailers on location during drilling operations: one each for the wellsite supervisor, geologist and toolpusher.
- B. Topsoil will be stock piled on the Northwest and Northeast of the drillpad. Brush and trees will also be stock piled on the Southeast corner of pad and will be used in the site reclamation process. Erosion ditches will be created along the side of the drill pad to control runoff from the drill pad. (see location layout plat)
- C. A diagram showing the proposed production facility layout will be submitted to the Division via *Sundry Notice* (form # 9) for approval (see # 4B).
- D. Prior to commencement of drilling operations, the reserve pit will be fenced on three (3) sides with four strand barbed wire held in place by metal side post and wooden corner "H" braces in order to protect livestock and wildlife.
1. Corner post shall be braced in such a manner to keep the fence tight at all times.
 2. Standard steel, wood or pipe post shall be used between the corner braces. The maximum distance between any two (2) posts shall be no greater than sixteen (16) feet.
 3. All wire shall be stretched, by using a stretching devise, before it is attached to the corner posts.
 4. The fourth (4th) side of the reserve pit will be fenced immediately upon removal of the drilling rig and the fencing will be maintained until the pit is back-filled.
- E. Any Hydrocarbons on the pit will be removed immediately.
- F. Flare pit will be a minimum of 100 feet from the wellhead and 30 feet from the reserve pit when applicable. The flare pit will be on laydown side of pad.

10. PLANS FOR RECLAMATION OF THE SURFACE

Producing

- A. Any rat and mouse holes will be back-filled and compacted from to top immediately upon release of the completion rig from the location. The location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash, and junk not required for production.
- B. Any oil located on the pits will be removed immediately in accordance with Division rule R649-3-16 & 34.
- C. Back-filling, leveling and re-contouring are planned as soon as possible after cessation of drilling and completion operations. Waste and spoil materials will be disposed of immediately upon cessation of drilling and completion activities.

Fluids from the reserve pit shall be removed. The liner shall be torn and perforated before back-filling of the reserve pit.

The reserve pit and that portion of the location not needed for production facilities/operations will be re-contoured to the approximate natural contours. The reserve pit will be reclaimed within six (6) months from the date of well completion. Before any dirt work takes place, the reserve pit will be completely dry and all cans, barrels, pipe, etc., shall be removed.

Surface owner will be contacted for required seed mixture pursuant to Division rule R649-3-34.

Dry Hole/Abandoned Location

- 1. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment and the DOGM/SITLA will attach the appropriate surface rehabilitation conditions of approval.

11. OTHER INFORMATION

- A. Proximity of Water, Occupied Dwellings, Archaeologist, Historical or Cultural Sites:
 - 1. There are no known, occupied dwellings within one (1) mile of the location.
 - 2. There are no known water wells within one (1) mile of location.
 - 3. Royale Energy, Inc. will be responsible for informing all persons in the area who are associated with the project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites or for collecting artifacts. If historic or archaeological materials are uncovered, Royale will suspend all operations that might further disturb such materials and immediately contact the State Historical Preservation Office "SHIPO".

4. A Class III cultural resource inventory of the proposed Moon Canyon #3 location and its related 5.2 mile-long access road will be completed as soon as weather permits. The report will be filed with SHIPO BLM-Vernal, SITLA-State Office when the study is completed.

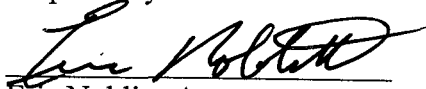
- B. The operator will, control noxious weeds along right-of-way for roads, pipelines, wellsites or other applicable facilities.

12. LESSEE'S OR OPERATORS REPRESENTATIVE AND CERTIFICATION

Royale Energy, Inc.
7676 Hazard Center Drive, Suite 1500
San Diego CA 92108
Phone: (619) 881-2870
Fax (619) 881-2876
Drilling@royl.com
Attention: Phil Nicholl

Prepared by:

Date: March 3, 2006



Eric Noblitt, Agent
2275 Logos CT. #B-1
Grand Junction, CO. 81505
Phone: (970) 245-3951
Fax: (970) 245-3951
enoblitt@bresnan.net

ROYALE ENERGY, INC.

Lease # ML-47218

Moon Canyon #3

NE/4NW/4; Section 1, Township 16 South, Range 21 East, SLM
Grand County, Utah

March 3, 2006

DRILLING PLAN

General

NOTE: This well is to be drilled as a tight hole. Unauthorized personnel are not to be allowed on rig floor. All information is to be kept confidential.

Surface Location: 270' FNL' and 2190' FWL
NENW; Sec.1-T16S-R21E, SLM
Grand County, Utah

Bottomhole Location: Same

Proposed Total Depth: 12,300'

Elevation: 7172' Ground Level (Ungraded)

Drilling Contractor: Yet to be determined

Drilling Procedure

Location

- 1) Build location, dig and line reserve pit as per pad layout specifications. Pit will be lined with a 12mil liner.

Surface Hole

- 1) Move in and rig up air drilling rig.
- 2) Drill a 12-1/4" surface hole to 1200' with air. Notify State of Utah DOGM as to cementing of surface casing.
- 3) Circulate and condition as required. Trip out of hole.

- 4) Run and cement 1200' of 9-5/8", 36#, K-55, ST&C, 8rd casing and as per cement recommendation. If cement returns to surface are not obtained, run 1" pipe in casing/hole annulus and top out w/ neat cement. Wait 8 hrs on cement.
- 5) Weld on 11" X 5,000 PSI flanged casing head.
- 6) Rig down and move off surface hole drilling rig.

Intermediate Hole

- 1) MIRU rotary rig. Notify State of Utah DOGM as to BOP/CSG pressure test. Nipple up and pressure test BOPE and 9-5/8" casing to 70% internal yield of 9-5/8" csg.
- 2) Mud up. Trip in hole w/ 8-3/4" bit. Drill out float collar and guide shoe
- 3) Drill 8-3/4" intermediate hole from base of surface casing to 6,800' (or 200' +/- into Mancos)
- 4) Condition hole as per mud program. Run openhole logs as per logging program.
- 5) Trip in hole w/ bit and drill string. Condition hole for running pipe.
- 6) Run and cement 7" 23# N-80 production casing according to cement recommendation.
- 7) Pressure test 7" casing string to 1,500 psi for thirty (30) minutes.
- 8) Drill out 7" intermediate casing with 6-1/4" bit.
- 9) Well will be drilled to a depth of 12,300'
- 10) At T.D., condition hole for running openhole logs as per mud program.
- 11) Run openhole logs as per logging program.

Decision Point: Producidble/Dryhole

Producible

- 1) Trip in hole w/ bit and drill string. Condition hole for running pipe. Trip out of hole laying down drill- pipe and collars. Notify DOGM as to running and cementing of longstring.
- 2) Run and cement 4-1/2" production casing according to cement recommendation.

Dryhole

- 1) Notify State of Utah DOGM and receive plugging orders. Trip in hole open ended and plug well as per DOGM orders.
- 2) Release drilling rig. Reclaim location.

Estimated Tops of Geological Markers (From Ungraded GL)

Formation	Top
Green River	Surface
Wasatch	3,200'
Mesaverde	4,800'
Castlegate Sandstone	6,700
Main Mancos	6,800
Dakota Silt	10,600
Dakota Sandstone	10,700
Cedar Mountain	10,800
Morrison	10,900
Entrada	11,700
TD	12,300

Estimated Depths of Anticipated Water, Oil, Gas or Mineral Formations (From Ungraded GL)

Formation	Top	Possible Formation Content
Green River	Surface to 3,200	water
Wasatch	3,200 to 4,800	water
Castlegate Sandstone	6,700 to 6,800	gassy water
Dakota Sandstone	10,700 to 10,800	gas
Cedar Mountain	10,800 to 10,900	gas
Morrison	10,900 to 11,100	gas or water
Entrada	11,100 to 12,300	gas or water

Pressure Control Equipment

- 1) Type: 11" X 5,000 psi WP, double-gate BOP and 11" X 5,000 psi WP annular BOP with hydraulic closing unit.

The blowout preventer will be equipped as follows:

- 1) One set of blind rams
- 2) One set of pipe rams
- 3) Drilling spool with two side outlet (choke side: 3" minimum and kill side 2" minimum)
- 4) Kill line: Two-inch minimum
- 5) Two kill line valves, one of which will be a check valve (2" minimum)
- 6) Choke line: Three-inch minimum.
- 7) Two choke line valves: Three-inch minimum.
- 8) One manually operated choke: Three-inch minimum.
- 9) Pressure gauge on choke manifold.

- 10) Upper kelly cock with handle readily available.
 - 11) Full opening internal blowout preventer or drill pipe safety valve able to fit all connections.
 - 12) Fill-up line to be located above uppermost preventer.
- 2) PRESSURE RATING: 5,000 PSI

3) TESTING PROCEDURE

At a minimum, the BOP, choke manifold, and related equipment will be pressure tested to the approved working pressure of the approved BOP stack. (if isolated from the surface casing by means of a test plug) or 70% of the internal yield strength of the surface casing (if not isolated from the surface casing by means of a test plug). Pressure will be maintained for a period of at least ten minutes or until requirements of the test are met, whichever is longer.

At a minimum, this pressure test will be performed:

- 1) When the BOP is initially installed
- 2) Whenever any seal subject to test is broken.
- 3) Following related repairs.
- 4) At thirty day intervals.

In addition to the above, the pipe rams will be activated daily, and the blind rams will be activated on each trip (but not more frequently than once each day). All BOP tests and drills will be recorded in the IADC Driller's Log (tour sheet)

5) CHOKE MANIFOLD EQUIPMENT:

All choke lines will be straight lines, unless turns use tee-blocks, or are targeted with running tees.

These lines will be anchored to prevent whip and vibration.

6) ACCUMULATOR:

The accumulator will have sufficient capacity to close all rams (plus the annular preventer, if applicable) and maintain a minimum of 200 psi above the precharge pressure without the use of the closing-unit pumps. The fluid reservoir capacity will be double the accumulator capacity and the fluid level will be maintain at the manufacturer's recommendation. The BOP system will have two independent power sources to close preventers. Nitrogen bottles (three minimum) will be considered one of these sources and will maintain a charge equal to the manufacturer's specifications.

The accumulator precharge pressure test will be conducted prior to connecting the closing unit to the BOP stack and at least once every six months thereafter. The accumulator pressure will be corrected if the measured precharge pressure is found to be above or below the maximum or minimum limits of manufacturer's specifications.

7) MISCELLANEAUS INFORMATION:

The blowout preventer and related pressure-control equipment will be installed, tested, and maintained in compliance with the specifications in and requirements of DOGM's Drilling and Operating Practices #R649-3-7. The choke manifold and BOP extension rods will be located outside the rig sub-structure.

The hydraulic BOP closing unit will be located at least twenty-five feet from the wellhead, but will be readily accessible to the driller. Exact location and configuration of the hydraulic BOP closing unit will depend upon the particular drilling rig contracted to drill this hole.

Casing and Cementing Programs

PROPOSED CASING DESIGN

<i>Size</i>	<i>Interval</i>	<i>Length</i>	<i>Description</i>
9-5/8"	0' – 1200'	1,200'	36#, K-55, STC
7"	0' – 6,800'	6,800'	23#, N-80, LTC
4-1/2"	0' - 12,300'	12,300'	11.60# P-110, LTC

A regular guide shoe and insert float will be run on the bottom and top of the first joint on casing. The guide shoe and float collar will be made up with A.P.I. thread locking compound. On 4-1/2" casing, a stop ring and centralizer will be run in the middle of the shoe joint. Centralizers will be ran 1 joint above float and across all potential pay zones.

NOTE: Casing strings will be pressure tested to 0.22 psi/ft of casing string depth, or 1,500 psi, whichever is greater (not to exceed 70 % of the internal yield strength of the casing) after cementing and prior to drilling out from under the casing shoe.

PROPOSED CEMENTING PROGRAM

<u>Casing / Hole Size</u>	<u>Cement Slurry</u>	<u>SX</u>	<u>PPG</u>	<u>Yield</u>
9-5/8" / 12-1/4"	Tail: Class "G" w/ 2% CaCl ₂ & 0.25 PPS Flocele (100% excess)	650	15.8	1.17

Casing Equipment: 1 – Regular Guide Shoe
1 – Insert float collar

NOTE: Precede cement w/ 50 bbls of fresh water. Have 100 sx "neat" cement on location and 1" line pipe to pump a cement top job if cement is not circulated to surface and/or cement falls back. All waiting-on -cement times will be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

Casing / Hole Size	Cement Slurry	SX	PPG	Yield
7" / 8-3/4"	50/50 Pozmix w/.25 PPS Flocele (30% excess)	800	14.2	1.26

This section of hole may be two staged cemented if loss circulation is encountered.

Casing / Hole Size	Cement Slurry	SX	PPG	Yield
4-1/2" / 6-1/4"	50/50 poz cement w/ 0.25 PPS Flocele (30% excess)	560	14.2	1.26
		TOC @ 8,500'		

NOTE: Actual cement volumes will be calculated from caliper log.

Casing Equipment: 1 – Regular guide shoe
1 – Differential-fill float collar
10 – Centralizers (Casing will be centralized on shoe jt and across all potential pay zones)

NOTE: Precede cement with 50 bbls of fresh water. Run compatibility test on proposed cement with actual make-up water. Cement design and volumes may be altered depending on results of caliper log and presence of lost circulation zones.

Drilling Fluids Program

SURFACE HOLE: 0' – 1200' HOLE SIZE: 12-1/4" 9/5/8" CASING

Surface pipe will be pre-set with air rig.

INTERMEDIATE HOLE: 1200' – 6,800' HOLE SIZE: 8-3/4" 7" CASING

Drill out surface casing cement with water discarding contaminated fluid into reserve pit. Mud up with low-solids, 6 PPB DAPP mud system. Keep trip speeds down to reduce surge/swab pressure. Keep hole full at all times. Monitor pit levels to detect loss circulation and gas kicks. Sweep hole as dictated by hole conditions and prior to running production casing. Keep drill string moving at all times.

Recommend Fluid Properties: Weight 8.8 – 9.2PPG
Viscosity 36-40 SEC / QT
Water Loss 6-8 CCS

PRODUCTION HOLE: 6,800' – 12,300' HOLE SIZE: 6-1/4" 4-1/2" CASING

Drill out intermediate casing cement with water discarding contaminated fluid into reserve pit. Mud up with low-solids, non-dispersed 6 PPB DAPP mud system. Keep trip speeds down to reduce surge/swab pressure. Keep hole full at all times. Monitor pit levels to detect loss circulation and gas kicks. Sweep hole as dictated by hole conditions and prior to running production casing. Keep drill string moving at all times. Have 100-200 PPM nitrates in mud system prior to drilling any potential pay zones that may be DST'd.

Recommended Fluid Properties: Weight 8.8 – 9.2 PPG
Viscosity 32-36 SEC / QT
Water Loss 6 – 8 CCS

Evaluation Program

MUDLOGGING: Drilling samples will be caught every 20' from 1200' to 10,000'. Mudloggers will be on location and rigged up before drilling out surface casing. 10' samples will be caught from 10,000' to T.D. or as directed by wellsite geologist.

OPENHOLE LOGGING: 6800 – 1200' – CNL/FDC w/ XY caliper and DLL
12,300 – 6800' – CNL/LDT w/ XY caliper and DLL

DRILLSTEM TESTING: None anticipated.

CORING: None anticipated.

STIMULATION: All prospective zones will be perforated, flow tested and evaluated to determine if acidizing and/or fracturing is required. The drill site will be of sufficient size to accommodate all completion operations.

The proposed Evaluation Program may change at the discretion of the well site drilling supervisor and geologist with the approval of the DOGM.

One copy of all logs, core descriptions, core analyses, DST test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during drilling, workover, and/or completion operations will be filed on form #8. Samples (cuttings, fluids, and/or gases) will be submitted when requested by DOGM.

Anticipated Bottomhole Pressure

A bottomhole pressure of 4,305 psi (.35 gradient) is anticipated at total depth (12,300')

ABNOMAL CONDITIONS:

No abnormal temperature or pressures are anticipated in the drilling of the Moon Canyon #3

Anticipated Starting Date and Miscellaneous

1) ANTICIPATED STARTING DATE:	Location Construction	May 15, 2006
	Spud Date	June 1, 2006
	Drilling Days	30 days
	Completion Days	12 days

2) MISCELLANEOUS

There will be no deviation from the proposed drilling and/or workover program as approved. Safe drilling and operating practices will be observed.

All wells, whether drilling, producing, suspended or abandoned will be identified in accordance with R649-3-5. There will be a sign or marker with the name of the operator, lease serial number, well name and number and survey description of the well.

Any changes in operation must have prior approval from the DOGM. Pressure test will be performed before drilling out from under of all casing strings set and cemented in place. Blowout preventers controls will remain in use until the well is either completed or abandoned. Preventers will be inspected and operated at least daily to insure good mechanical working order, and inspection will be recorded on the daily drilling report. All BOP test will be recorded on the daily drilling report.

The spud date will be orally reported to the DOGM twenty-four (24) hours after spudding. If spudding occurs on a weekend or holiday, this report will be called in on the next regular work day following spudding of the well.

In accordance with R649-3-6, this well will be reported on form #6, *Entity Action Form*, starting within five working days of spudding the well.

All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in R649-3-32 will be reported to the DOGM Office. Major events will be reported verbally within twenty-four (24) hours and will be followed with a written report within five (5) days.

No well abandonment operations will be commenced without the prior approval of the DOGM. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the Division. A *Notice of Intention to Abandon* (Form #9)

will be filed with the Division within five (5) days following the granting of oral approval to plug and abandon.

Upon completion of approved plugging, a regulation marker will be erected in accordance with R649-3-25(7). The following information will be permanently placed on the marker with a plate, cap, or beaded-on with a welder: Company Name and Number, Location by Quarter/Quarter, Section, Township, Range and State Lease Number.

A *Subsequent Report of Abandonment* (Form #9) will be submitted within thirty (30) days following the actual plugging of the well bore. This report will indicate cement type and volumes, where plugs were placed, casing left in hole, statement of mud volumes used and the current status of surface restoration operations.

Pursuant to R649-3-19, operator will conduct a stabilized production test of at least 24 hours no later than fifteen (15) days following the completion of well. Lessees and operators are authorized to vent/flare gas during first calendar month after initial well evaluation tests and/or the production of three (3) MMCF of gas, whichever occurs first. An application must be filed with the DOGM, and approval received, for any venting /flaring of gas beyond the initial thirty (30) day or otherwise authorized test period.

Pursuant to R649-2-1, lessees and operators have the responsibility to see that their exploration, development, production, and construction operations are conducted in such a manner as to conserve the natural resources of oil and gas in the state, to protect human health and the environment, to prevent waste, to protect the correlative rights of all owners and to realize the greatest ultimate recovery of oil and gas.

Date:

March 3, 2006

Prepared by:



Eric Noblitt, Agent
Royale Energy, Inc.

STATE OF UTAH -- DIVISION OF WATER RIGHTS -- DATA PRINT OUT for t30440(49-123)

(WARNING: Water Rights makes NO claims as to the accuracy of this data.) RUN DATE: 03/06/2006 Page 1

CHANGE: t30440

WATER RIGHT: 49-123 CERT. NO.:

AMENDATORY? No

BASE WATER RIGHTS: 49-123

RIGHT EVIDENCED BY: 49-123(A8815)

CHANGES: Point of Diversion [], Place of Use [X], Nature of Use [X], Reservoir Storage [].

NAME: Burt and Christine DeLambert

ADDR: P. O. Box 607
Vernal UT 84078

INTEREST: 100% REMARKS:

FILED: 07/20/2005 PRIORITY: 07/20/2005 ADV BEGAN: ADV ENDED: NEWSPAPER: No Adv Required
ProtestEnd: [PROTESTED: [No] HEARNG HLD: SE ACTION: [Approved] ActionDate: 08/08/2005 PROOF DUE:
EXTENSION: [ELEC/PROOF: [] ELEC/PROOF: CERT/WUC: LAP, ETC: 08/08/2006 PROV LETTER:
RENOVATE: [RECON REQ: [] TYPE: []

Status: Approved

***** HERETOFORE *****
***** HEREAFTER *****

FLOW: 0.9034 cfs	FLOW: 20.0 acre-feet
SOURCE: A Spring Branch in Main Canyon	SOURCE: Unnamed Spring
COUNTY: Uintah	COUNTY: Uintah COM DESC: Main Canyon-Book Cliffs
	Water will be pumped into trucks and hauled to place of use.

POINT(S) OF DIVERSION ----->	SAME AS HERETOFORE
Point Surface:	
(1) N 2870 ft E 16 ft from SW cor, Sec 32, T 15S, R 23E, SLBM	
Dvrting Wks: Earth & Brush Dam	
Source:	
Dvrting Wks: Earth & Brush Dam	
Source:	

PLACE OF USE ----->	CHANGED as follows:																								
<table border="1"> <tr> <td>--NW4-- --NE4-- --SW4-- --SE4--</td> <td></td> </tr> <tr> <td> N N S S N N S S N N S S N N S S </td> <td></td> </tr> <tr> <td> W E W E W E W E W E W E W E W E </td> <td></td> </tr> <tr> <td> Sec 30 T 15S R 23E SLBM</td> <td>* : : : * : : : * : : : *</td> </tr> <tr> <td> Sec 31 T 15S R 23E SLBM</td> <td>* : X : X * : : X : * : : * : : *</td> </tr> </table>	--NW4-- --NE4-- --SW4-- --SE4--		N N S S N N S S N N S S N N S S		W E W E W E W E W E W E W E W E		Sec 30 T 15S R 23E SLBM	* : : : * : : : * : : : *	Sec 31 T 15S R 23E SLBM	* : X : X * : : X : * : : * : : *	<table border="1"> <tr> <td>--NW4-- --NE4-- --SW4-- --SE4--</td> <td></td> </tr> <tr> <td> N N S S N N S S N N S S N N S S </td> <td></td> </tr> <tr> <td> W E W E W E W E W E W E W E W E </td> <td></td> </tr> <tr> <td>ALL T 15S R 23E SLBM</td> <td>*</td> </tr> <tr> <td>ALL T 15S R 24E SLBM</td> <td>*</td> </tr> <tr> <td>ALL T 16S R 23E SLBM</td> <td>*</td> </tr> <tr> <td>ALL T 16S R 24E SLBM</td> <td>*</td> </tr> </table>	--NW4-- --NE4-- --SW4-- --SE4--		N N S S N N S S N N S S N N S S		W E W E W E W E W E W E W E W E		ALL T 15S R 23E SLBM	*	ALL T 15S R 24E SLBM	*	ALL T 16S R 23E SLBM	*	ALL T 16S R 24E SLBM	*
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ALL T 15S R 23E SLBM	*																								
ALL T 15S R 24E SLBM	*																								
ALL T 16S R 23E SLBM	*																								
ALL T 16S R 24E SLBM	*																								

NATURE OF USE ----->	CHANGED as follows:
SUPPLEMENTAL to Other Water Rights: No	SUPPLEMENTAL to Other Water Rights: No
IRR: 64.0400 acs Sol/Sup: acs USED 03/01 - 10/31	
	OTH: OIL EXPLORATION: drilling and USED 08/01 - 07/31 completion of oil/gas wells in South Book Cliffs-8/1/05-7/31

ROYALE ENERGY, INC.
MOON CANYON #3
LOCATED IN GRAND COUNTY, UTAH
SECTION 1, T16S, R21E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: EASTERLY



- Since 1964 -

UELS Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

11 29 05
MONTH DAY YEAR

PHOTO

TAKEN BY: J.W.

DRAWN BY: C.P.

REVISED: 00-00-00

ROYALE ENERGY, INC.

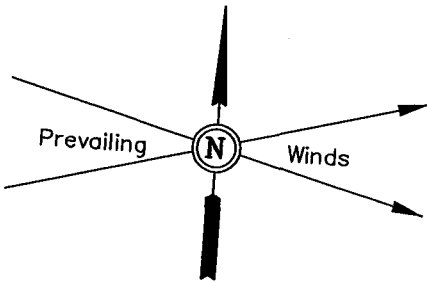
FIGURE #1

LOCATION LAYOUT FOR

MOON CANYON #3

SECTION 1, T16S, R21E, S.L.B.&M.

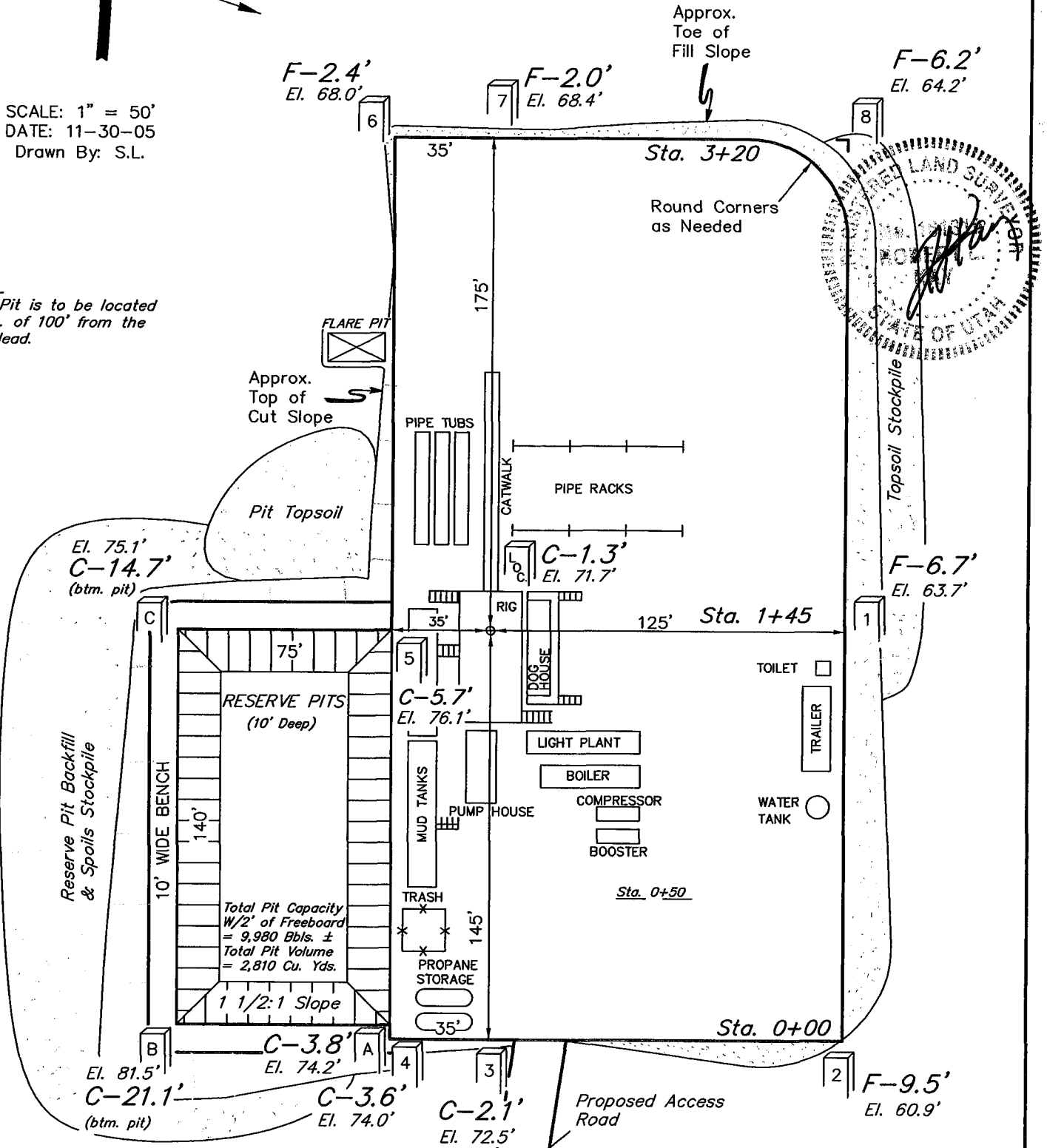
270' FNL 2190' FWL



SCALE: 1" = 50'
DATE: 11-30-05
Drawn By: S.L.

NOTE:

Flare Pit is to be located
a min. of 100' from the
Well Head.



NOTES:

Elev. Ungraded Ground At Loc. Stake = 7171.7'
FINISHED GRADE ELEV. AT LOC. STAKE = 7170.4'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

ROYALE ENERGY, INC.

FIGURE #2

TYPICAL CROSS SECTIONS FOR

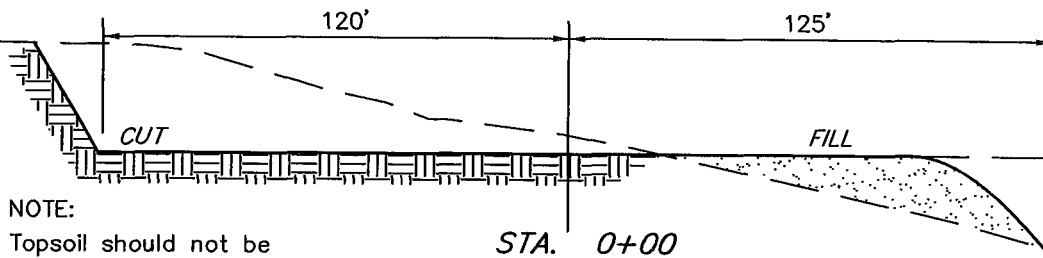
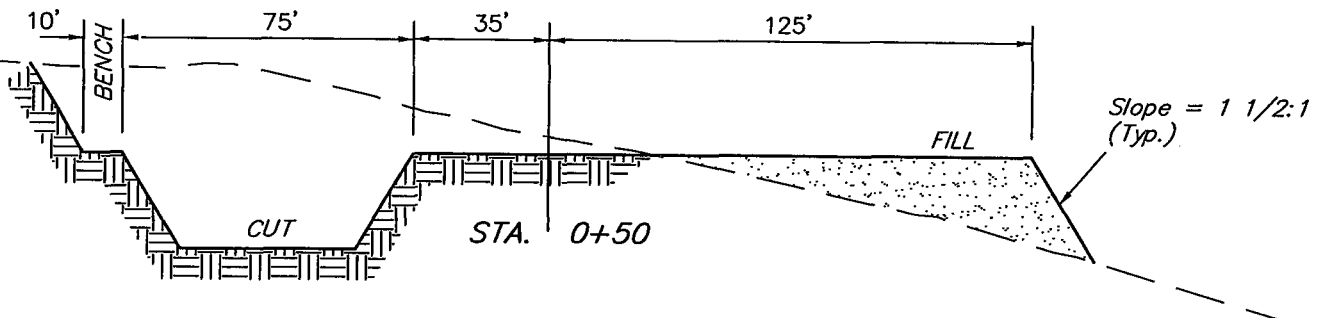
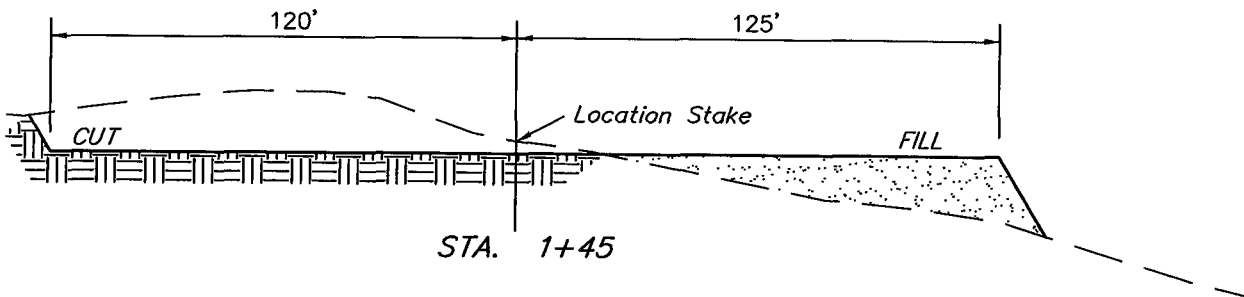
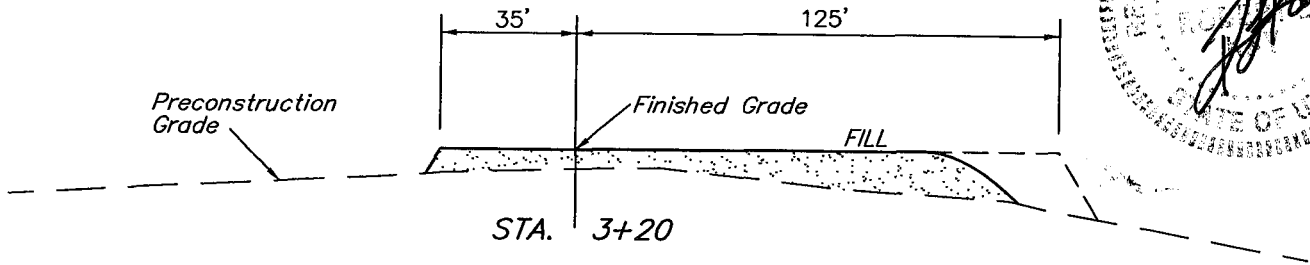
MOON CANYON #3

SECTION 1, T16S, R21E, S.L.B.&M.

270' FNL 2190' FWL

1" = 20'
X-Section
Scale
1" = 50'

DATE: 11-30-05
Drawn By: S.L.



NOTE:
Topsoil should not be
Stripped Below Finished
Grade on Substructure Area.

* NOTE:
FILL QUANTITY INCLUDES
5% FOR COMPACTION

APPROXIMATE YARDAGES

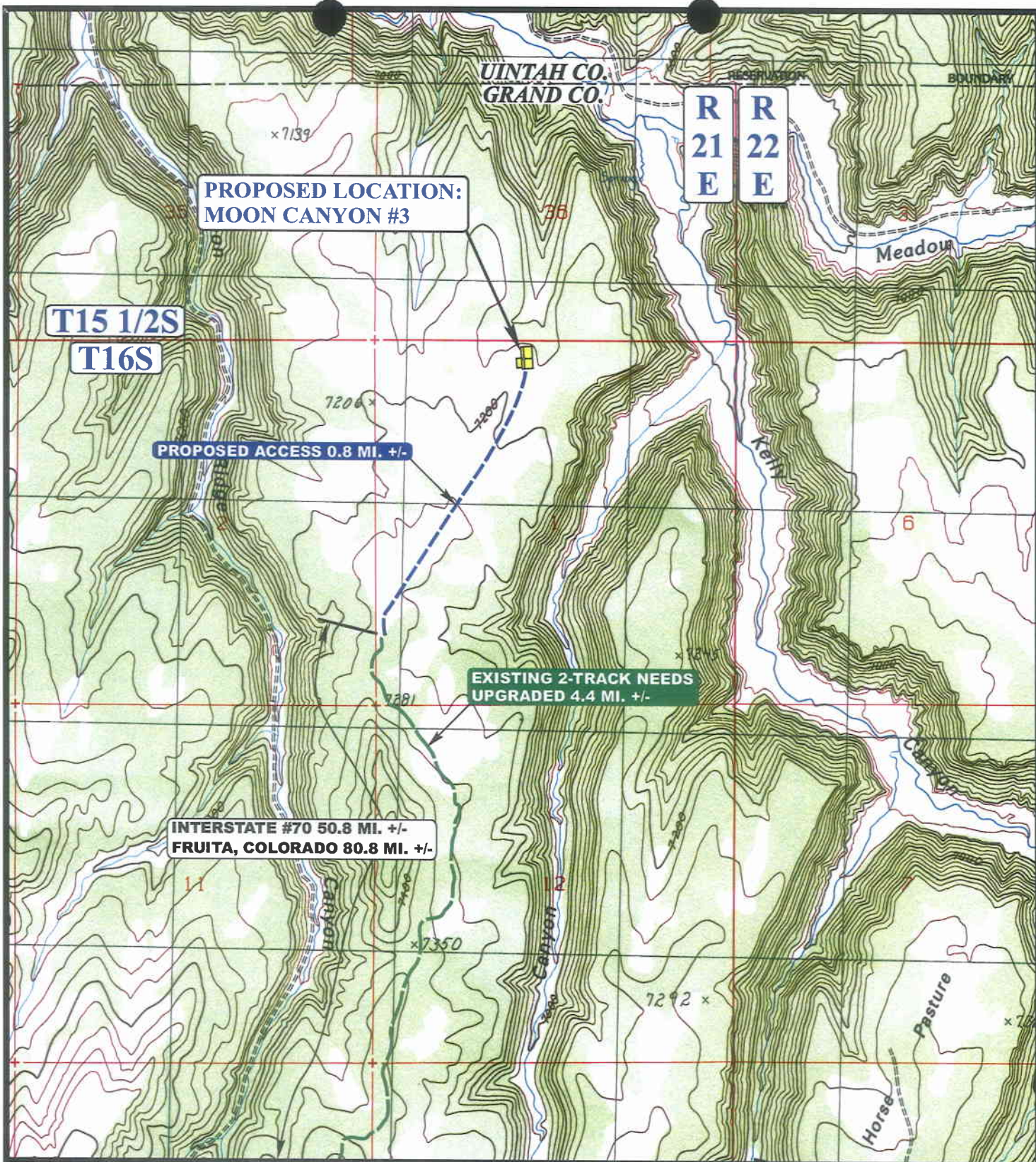
CUT
(6") Topsoil Stripping = 1,440 Cu. Yds.
Remaining Location = 7,590 Cu. Yds.

TOTAL CUT = 9,030 CU.YDS.
FILL = 6,180 CU.YDS.

EXCESS MATERIAL = 2,850 Cu. Yds.
Topsoil & Pit Backfill = 2,850 Cu. Yds.
(1/2 Pit Vol.)

EXCESS UNBALANCE = 0 Cu. Yds.
(After Rehabilitation)

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017



LEGEND:

- EXISTING ROAD
- PROPOSED ACCESS ROAD
- EXISTING 2-TRACK NEEDS UPGRADED

N



ROYALE ENERGY, INC.

MOON CANYON #3
SECTION 1, T16S, R21E, S.L.B.&M.
270' FNL 2190' FWL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC
MAP

11 29 05
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.P. REVISED: 00-00-00

B
 TOPO

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 03/13/2006

API NO. ASSIGNED: 43-019-31471

WELL NAME: MOON CYN 3

OPERATOR: ROYALE ENERGY, INC. (N2465)

PHONE NUMBER: 619-881-2800

CONTACT: ERIC NOBLITT

PROPOSED LOCATION:

NENW 01 160S 210E

SURFACE: 0270 FNL 2190 FWL

BOTTOM: 0270 FNL 2190 FWL

COUNTY: GRAND

LATITUDE: 39.45132 LONGITUDE: -109.5527

UTM SURF EASTINGS: 624531 NORTHINGS: 4367652

FIELD NAME: WILDCAT (1)

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering	DLD	5/4/06
Geology		
Surface		

LEASE TYPE: 3 - State

LEASE NUMBER: ML-47218

PROPOSED FORMATION: ENRD

SURFACE OWNER: 3 - State

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat

☒ Bond: Fed[] Ind[] Sta[] Fee[]
(No. 291345)

☒ Potash (Y/N)

☒ Oil Shale 190-5 (B) or 190-3 or 190-13

☒ Water Permit

(No. T30440)

☒ RDCC Review (Y/N)

(Date: _____)

☒ Fee Surf Agreement (Y/N)

☒ Intent to Commingle (Y/N)

LOCATION AND SITING:

____ R649-2-3.

Unit: MOON CANYON

____ R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

☒ R649-3-3. Exception

____ Drilling Unit

Board Cause No: _____

Eff Date: _____

Siting: _____

____ R649-3-11. Directional Drill

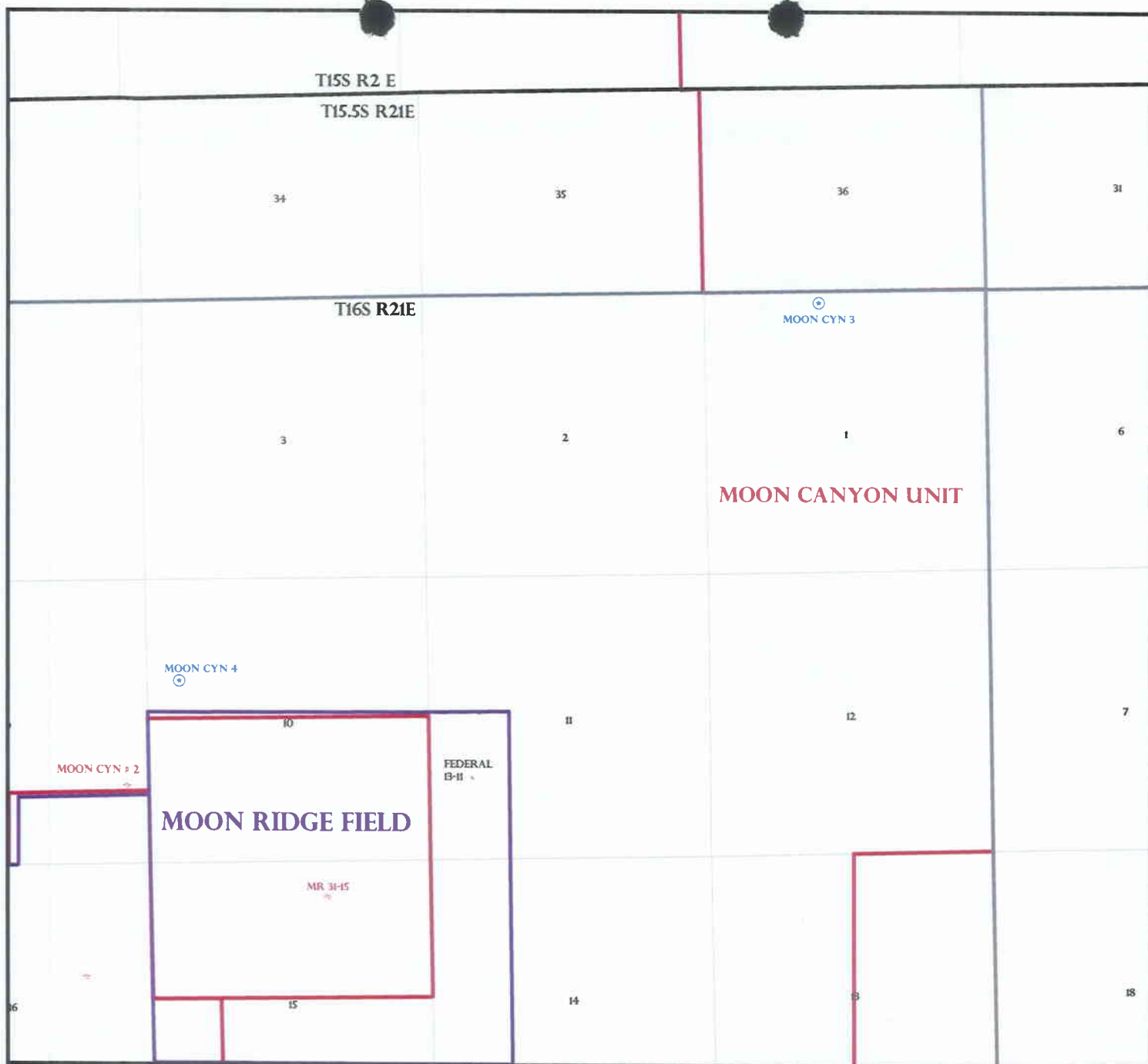
COMMENTS:

Needs Permit (04-19-06)

STIPULATIONS:

1- Spacing Slip

2- STATEMENT OF BASIS



OPERATOR: ROYALE ENERGY INC (N2465)

SEC: 1 T. 16S R. 21E

FIELD: WILDCAT (001)

COUNTY: GRAND

SPACING: R649-3-3 / EXCEPTION LOCATION

Field Status

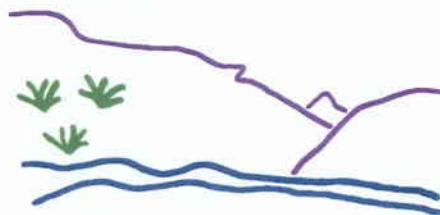
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Unit Status

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Wells Status

- ✂ GAS INJECTION
- ✂ GAS STORAGE
- ✂ LOCATION ABANDONED
- ⊙ NEW LOCATION
- ✂ PLUGGED & ABANDONED
- ✂ PRODUCING GAS
- ✂ PRODUCING OIL
- ✂ SHUT-IN GAS
- ✂ SHUT-IN OIL
- ✂ TEMP. ABANDONED
- ✂ TEST WELL
- ⊙ WATER INJECTION
- ⊙ WATER SUPPLY
- ⊙ WATER DISPOSAL
- ✂ DRILLING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 20-MARCH-2006

DIVISION OF OIL, GAS AND MINING
APPLICATION FOR PERMIT TO DRILL
STATEMENT OF BASIS

OPERATOR: Royale Energy, Inc
WELL NAME & NUMBER: Moon Canyon #3
API NUMBER: 43-019-31471
LOCATION: 1/4,1/4 NENW Sec:1 TWP: 16S RNG: 21E 270 FNL 2190 FWL

Geology/Ground Water:

A well at this location will spud into the Tertiary age lower part of the Parachute Creek Member of the Green River Formation. A poorly to moderately permeable soil is developed on the Parachute Creek Member of the Green River Formation. The Parachute Creek Member is regarded as an aquifer in the Uinta Basin and is likely to contain a high quality ground water resource. In addition, the Wasatch Formation (Wasatch Aquifer) is closely subjacent. The base of moderately saline ground water is found at approximately 2,800', Total Depth (TD). The Operator proposes to set 9 5/8" surface casing at 1,200' TD and 7" intermediate casing at 6,800' TD. According to the proposed cementing program he will cement the surface casing up to the surface, including one-inching to surface if needed. It is recommended that the cement program for the intermediate casing include a requirement for cementing to surface in order to isolate the low quality water from the high quality water above. No underground water rights exist within a mile of the location.

Reviewer: Christopher J. Kierst **Date:** 4/27/2006

Surface:

On-site conducted April 19, 2006. In attendance: Bart Kettle (DOGM), Nathan Sill (DWR), Eric Noblitt (Royale) and Phil Nicoll (Royale), invited but choosing not to attend Ed Bonner (SITLA), Jim Davis (SITLA). Proposed location lies within DWR classified "crucial" elk summer and winter range, and high value mule deer summer range. DWR recommends that no construction or drilling occur from May 15 to July 5 for protection of summer range value and November 1 to March 15 for protection of winter range. DWR recommends access road be moved further to the southeast out of sage community into pinyon/juniper woodlands for protection of wildlife habitat. Relocation of the road would create some additional watershed concerns. Relocation of the road will require a crossing of the ephemeral drainage located below the well pad. Such wash crossings are difficult to maintain and often lead to increased sediment loads into the watershed. Crossings can lead to the drainage becoming unstable, causing down cutting and re-alignment of the drainage. Additionally due to the difficult angle at which traffic will be forced to enter the location widening of the road beyond a 20' running surface at the corners will be required. Due to resource damage that resulted from drilling activities conducted during spring thaw on the Bookcliff divide in previous years, it is recommended that drilling be avoided during the months of February through April. It is recommend that the reserve pit be fenced on all four sides upon the removal of the drilling rig to prevent wildlife, livestock and wild horses from becoming entrapped in it.

Reviewer: Bart Kettle **Date:** April 19, 2006

Conditions of Approval/Application for Permit to Drill:

1. Fence Reserve pit immediately upon the removal of the drilling rig.
2. A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.

ON-SITE PREDRILL EVALUATION
Division of Oil, Gas and Mining

OPERATOR: Royale Energy, Inc.

WELL NAME & NUMBER: Moon Canyon #3

API NUMBER: 43-019-31471

LEASE: State **FIELD/UNIT:** Moon Ridge

LOCATION: 1/4, 1/4 NENW **Sec:** 1 **TWP:** 16S **RNG:** 21E 270 **FNL** 2190 **FWL**

LEGAL WELL SITING: 460 F **SEC. LINE;** 460 F **1/4, 1/4 LINE;** 920 F **ANOTHER WELL.**

GPS COORD (UTM): X = 624531 E; Y = 4367652 **SURFACE OWNER:** SITLA

PARTICIPANTS

Bart Kettle (DOGM), Nathan Sill (DWR), Eric Noblitt (Royale) and Phil Nicoll (Royale)

REGIONAL/LOCAL SETTING & TOPOGRAPHY

Proposed location is 60 miles northwest of Fruita Colorado in Grand County Utah. The proposed location is near the Bookcliffs divide located above Meadow Creek in an 14-16" precept zone. Pinyon/Juniper rangelands dominate the surroundings. Many deep rocky pinion/juniper, Douglas fir and mountain brows canyons surround the well site. Topography to the south rises to the Bookcliffs Divide and then drops off quickly into a narrow band of P/J woodlands, with extensive salt scrub clay flats in the Grand Valley below. Slopes are more gradual to the north, with extensive P/J woodlands eventually giving way to the salt scrub communities bordering the White and Green Rivers. Due to the dry nature of the surrounding terrain the divide portion of the Bookcliffs is classified as crucial summer wildlife habitat. The Bookcliffs divide separates watersheds that drain to the north into Green River and the south into the Colorado River. The proposed location is located at the end of a long mesa over looking the Meadow Creek drainage. There was no perennial water observed during the on-site inspection, however Meadow Creek, a perennial stream, is located within 1/2 mile of the well site. Drainages in the immediate area are ephemeral in nature, being dry throughout the majority of the year. Perennial and intermittent springs are located near the bottom of adjacent canyons. Access to the well site can be gained via the Moon Ridge Road from V Canyon or the Bookcliff Divide.

SURFACE USE PLAN

CURRENT SURFACE USE: Early fall cattle grazing, summer big game habitat, seasonal recreation, oil and gas development.

PROPOSED SURFACE DISTURBANCE: 245' x 320' for the well pad, and additional 5.2 miles of two track road will be upgraded to a 20' crowned running surface.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: None

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: Production facilities will be located on the well pad. The Sales Gas line is planned to follow

the access road where it will be connected to an existing pipeline.

SOURCE OF CONSTRUCTION MATERIAL: On-site

ANCILLARY FACILITIES: None anticipated

WILL DRILLING AT THIS LOCATION GENERATE PUBLIC INTEREST OR CONCERNS? (EXPLAIN): Drilling at this location is not expected to generate significant public concern. With the exception of the fall hunting seasons there is limited public visitation into this portion of the Bookcliffs. The closest residence are located ~15 miles away at the DeLambert Ranch in Main Canyon.

WASTE MANAGEMENT PLAN:

Garbage and other trash will be contained in a trash cage. Refuse will be transported to an approved sanitary landfill. Sewage will be handled in self-contained portable toilets and contents hauled off location to an authorized sewage facility.

Reserve pit will be fenced and lined with a 12-mil liner prior to use. Drill cuttings will be constrained in the reserve pit. Produced liquid hydrocarbons that may be produced during completion operations will be placed in test tanks on the location.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: No floodplains or wetlands will be affected by the drilling of this well. Proposed location is located above the head of an ephemeral wash, pad construction is not expected to alter drainage function.

FLORA/FAUNA: Elk, Mule Deer, Black Bear, Cougar, Bobcat, Beers, rabbits, songbirds, raptors, and lizards.

Grasses: June grass, Mutton grass, blue grama, needle and thread, Indian ricegrass and other thickspike wheatgrass. Forbs: Vetch, spiny phlox, and parsley spp. Shrubs: Buckwheat, Alderleaf mountain mahogany, Utah service berry, antelope bitterbrush, Wyoming sage, Common snowberry, and Gamble oak. Trees: Rocky Mountain juniper, Utah Juniper, two needle pinyon, and Douglas Fir.

SOIL TYPE AND CHARACTERISTICS: Soils at the well pad are orange tinted clay loam, wind deposited in nature. Soils along the access road range from dark brown clay loams to gray shale with essentially no top soil. Soils in the project area tend to be erosive in nature due to the lack of vegetative cover.

SURFACE FORMATION & CHARACTERISTICS: The surface formation is Green River, comprised of alternating sandstone and shale layers cut by deep canyons. Soils in the project area are erosive in nature due to lack of litter/vegetation and steep slopes.

EROSION/SEDIMENTATION/STABILITY: Most of the project area lays in areas of clay and clay loam soils ranging from high to moderate potential for wind erosion. The project area has moderate to high water erosion

potential. Soil erosion will increase during the initial construction phase of the project. Removal of vegetation and physical soil crust will reduce surface soil aggregates and therefore reduce soil stability. Loose unstable berms of soil will be left along the roadside and water runoff patterns will be re-directed. These factors will contribute to increased potential for wind and water erosion. As vegetation recovers, and soil crusts are formed along the roadway soils will become more stable. Wind and water erosion rates would be partially reduced, but still accelerated from normal rates.

PALEONTOLOGICAL POTENTIAL: None noted

RESERVE PIT

CHARACTERISTICS: 75'x 140'x 10'

LINER REQUIREMENTS (Site Ranking Form attached): Liner Required

SURFACE RESTORATION/RECLAMATION PLAN

The pit will be backfilled when the contents have been sufficiently dewatered. If the well is productive areas not required for operations will be seeded. Noxious weeds will be controlled on the location in accordance with State guidelines. In the event of a dry hole the operator shall submit a subsequent report for appropriate surface rehabilitation.

SURFACE AGREEMENT: As per SITLA mineral lease.

CULTURAL RESOURCES/ARCHAEOLOGY: Class III Cultural Resource Inventory will be completed as soon as the weather permits.

OTHER OBSERVATIONS/COMMENTS

DWR classifies area as crucial summer and winter range for elk, and high value summer range for mule deer. DWR recommends restrictions to construction and drilling between May 15 and July 5, for summer range and November 1 to March 15 for elk winter range. DWR requested access road be moved further to the east out of sage community into pinyon/juniper woodlands for protection of wildlife habitat. Relocation of the road would create some additional watershed concerns. Relocation of the road will require a crossing of the ephemeral drainage located below the well pad. Such wash crossings are typically difficult to maintain and often lead to increased sediment loads into the watershed. Some crossings lead to the drainage becoming unstable, causing down cutting and re-alignment of the drainage. Additionally due to the difficult angle at which traffic will be forced to enter the location widening of the road beyond a 20' running surface at the corners will be required. It is also anticipated that during inclement weather conditions large trucks will have difficulties staying on roadways around corners. Access road is proposed as a crowned road throughout much of the length versus a flat surface to avoid the concern of large mud puddles during spells of wet weather. It is proposed to use rolling

dips to drain water away from road; culverts may be installed if needed.
Fencing on all four sides of the reserve pit will be require upon the
removal of the drilling rig.

ATTACHMENTS

Photos of this location were taken and placed on file.

Bart Kettle
DOGM REPRESENTATIVE

April 21, 2006 12:48
DATE/TIME

**Evaluation Ranking Criteria and Ranking Score
For Reserve and Onsite Pit Liner Requirements**

<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>5</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>2</u>
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>0</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>5</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Base Mud Fluid	15	
containing significant levels of hazardous constituents	20	<u>5</u>
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	<u>5</u>
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>0</u>

Final Score 22 (Level I Sensitivity)

Sensitivity Level I = 20 or more; total containment is required, consider criteria for excluding pit use.

Sensitivity Level II = 15-19; lining is discretionary.

Sensitivity Level III = below 15; no specific lining is required.





State Online Services

Agency List

Business.utah.gov

Search Utah.gov

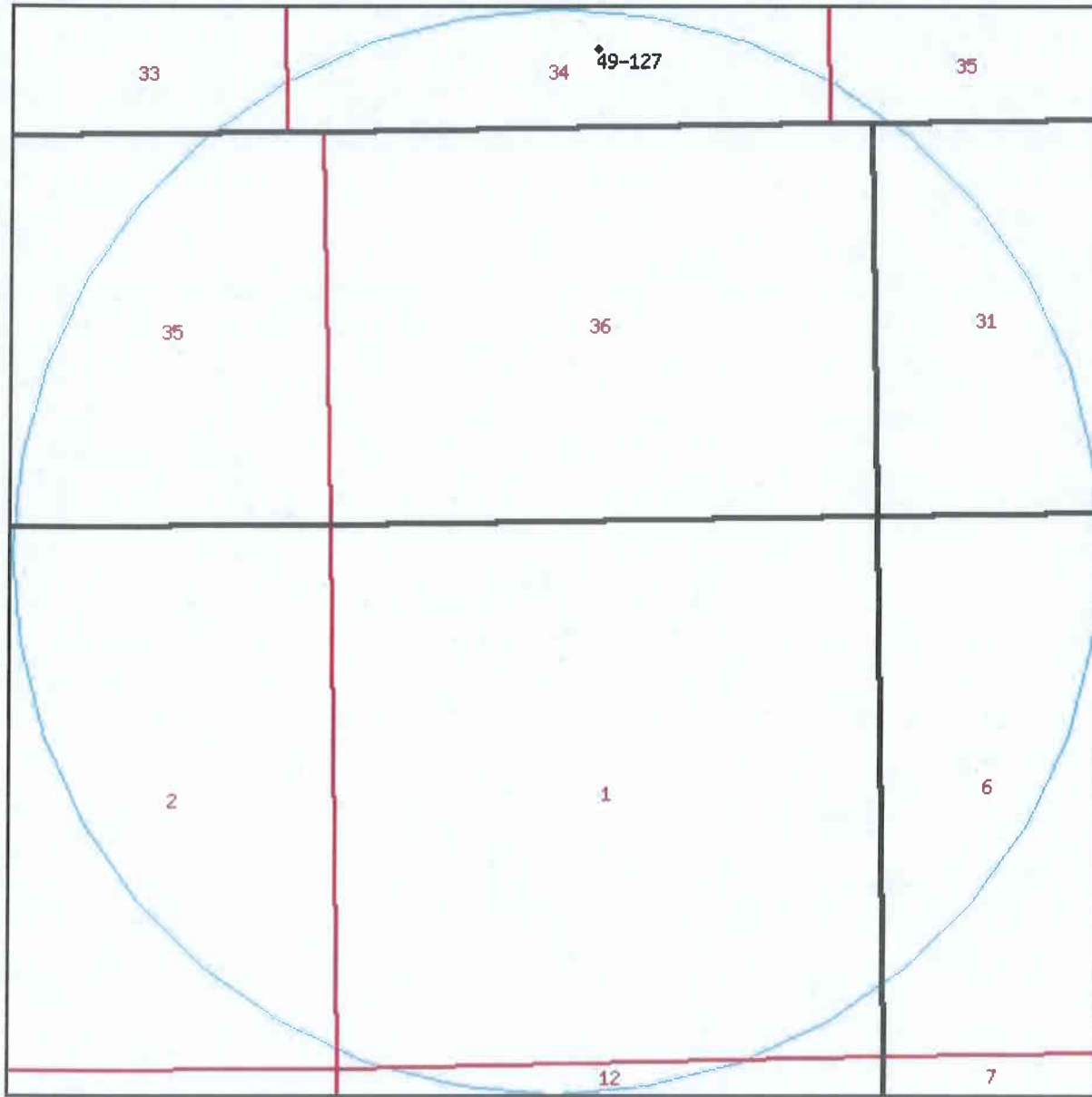
GO

UTAH DIVISION OF WATER RIGHTS

WRPLAT Program Output Listing

Version: 2004.12.30.00 Rundate: 04/27/2006 03:55 PM

Radius search of 5280 feet from a point S270 E2190 from the NW corner, section 01, Township 16S, Range 21E, SL b&m Criteria:wrtypes=W,C,E
podtypes=S,U,D,Sp,P status=U,A,P usetypes=all



0 700 1400 2100 2800 ft

Water Rights

WR Number	Diversion Type/Location	Well Log	Status	Priority	Uses	CFS	ACFT	Owner Name
<u>49-127</u>	Surface		P	19250702	I	0.700	0.000	STATE OF UTAH DIVISION OF WILDLIFE RESOURCES
	N721 W2275 SE 34 15S 21E SL							1594 WEST NORTH TEMPLE, STE 2110

[Natural Resources](#) | [Contact](#) | [Disclaimer](#) | [Privacy Policy](#) | [Accessibility Policy](#)

05-06 Royale Moon Cyn

Casing Schematic

Green River

Surface

9-5/8"
MW 8.4
Frac 19.3

TOC @
95.

TOC @
1.

Surface
1200. MD

✓ w/18% washout

BHP

$$(0.52)(9.0)(12,300) = 5884$$

Anticipate 4305

2800 Brmsal

3200 Washout

✓ Propose TOC Surface

w/0% washout

G₁₀₀

$$(0.12)(12,300) = 1476$$

MASP = 4400

BOPE - 5,000 ✓

7"
MW 8.8
Frac 19.3

Intermediate
6800. MD

6800' Mancos

Surf Csg - 3520

$$70\% = 2464$$

Max pressure @ Surf Csg shoe = 1879

✓ Test TO 1879# (propose 1500#)
O.K.

TOC @
9202.

10,600 Dakota

✓ Propose TOC 8500'

w/0% Washout

Int Csg - 6340

$$70\% = 4438$$

Max pressure @ Int Csg shoe = 4674

✓ Test TO 4438# (propose 1500#)
(±1500 psi Surface press.)

4-1/2"
MW 9.2

Production
12300. MD

✓ Adequate OKD
5/4/00

Well name:	05-06 Royale Moon Cyn 3	
Operator:	Royale Energy Inc.	Project ID:
String type:	Surface	43-019-31471
Location:	Grand County	

Design parameters:

Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 82 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 185 ft

Cement top: 1 ft

Burst

Max anticipated surface pressure: 71 psi
Internal gradient: 0.447 psi/ft
Calculated BHP 607 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on air weight.
Neutral point: 1,051 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 6,800 ft
Next mud weight: 8.800 ppg
Next setting BHP: 3,109 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 1,200 ft
Injection pressure 1,200 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	1200	9.625	36.00	K-55	ST&C	1200	1200	8.765	85.4

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	524	2020	3.858	607	3520	5.80	43	423	9.79 J

Prepared by: Clinton Dworshak
Utah Div. of Oil & Mining

Phone: 801-538-5280

Date: May 1, 2006
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 1200 ft, a mud weight of 8.4 ppg The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:
Operator: **Royale Energy Inc.**
String type: Intermediate
Location: Grand County

05-06 Royale Moon Cyn 3

Project ID:
43-019-31471

Design parameters:

Collapse

Mud weight: 8.800 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 160 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: 95 ft

Burst

Max anticipated surface pressure: 4,402 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 5,218 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on air weight.
Neutral point: 5,900 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 12,300 ft
Next mud weight: 9.200 ppg
Next setting BHP: 5,878 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 12,300 ft
Injection pressure 12,300 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	6800	7	23.00	N-80	LT&C	6800	6800	6.25	314.3
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	3109	3830	1.232	5218	6340	1.21	156	442	2.83 J

Prepared Clinton Dworshak
by: Utah Div. of Oil & Mining

Phone: 801-538-5280

Date: May 1, 2006
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Collapse is based on a vertical depth of 6800 ft, a mud weight of 8.8 ppg The casing is considered to be evacuated for collapse purposes.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	05-06 Royale Moon Cyn 3	
Operator:	Royale Energy Inc.	Project ID:
String type:	Production	43-019-31471
Location:	Grand County	

Design parameters:

Collapse

Mud weight: 9.200 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 237 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 368 ft

Cement top: 9,202 ft

Burst

Max anticipated surface pressure: 383 psi
Internal gradient: 0.447 psi/ft
Calculated BHP 5,878 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on air weight.
Neutral point: 10,608 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	12300	4.5	11.60	P-110	LT&C	12300	12300	3.875	285.1

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	5878	7580	1.289	5878	10690	1.82	143	279	1.96 J

Prepared by: Clinton Dworshak
Utah Div. of Oil & Mining

Phone: 801-538-5280

Date: May 1, 2006
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Collapse is based on a vertical depth of 12300 ft, a mud weight of 9.2 ppg. The casing is considered to be evacuated for collapse purposes.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:
3160
(UT-922)

March 21, 2006

Memorandum

To: Assistant District Manager Minerals, Vernal District
From: Michael Coulthard, Petroleum Engineer
Subject: 2006 Plan of Development Moon Canyon, Grand County,
Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following wells are planned for calendar year 2006 within the Moon Canyon Unit, Grand County, Utah.

API #	WELL NAME	LOCATION
-------	-----------	----------

(Proposed PZ Entrada)

43-019-31470 Moon Canyon 4 Sec 10 T16S R21E 1901 FNL 0589 FWL
43-019-31471 Moon Canyon 3 Sec 01 T16S R21E 0270 FNL 2190 FWL

Our records indicate the Moon Canyon 3 is closer than 460 feet from the Moon Canyon Unit boundary.

We have no objections to permitting the wells so long as the unit operator receives an exception to the locating and siting requirements of the State of Utah (R649-3-2).

/s/ Michael L. Coulthard

bcc: File – Moon Canyon Unit
Division of Oil Gas and Mining
Central Files
Agr. Sec. Chron
Fluid Chron

From: "Diane Thompson" <dthompson@national-fuel.com>
To: "Diana Whitney" <dianawhitney@utah.gov>
Date: 4/16/2006 7:21:51 PM
Subject: RE: Emailing: NFC CONSENT TO EXCEPTION LOCATION-ROYALE ENERGYMOON CYN #3

Diana -

Please see attached letter, which was provided by Royale and sent previously to DOGM. Geological restraints on the physical well location forced Royale to request the exception pursuant to Rule 649-3-3.

Thanks,

Diane Thompson
National Fuel Corporation
Tel.: 303/996-6775 (direct)
" /220-7772 (PBX)
Fax: " /220-7773

-----Original Message-----

From: Diana Whitney [mailto:dianawhitney@utah.gov]
Sent: Friday, April 14, 2006 7:33 AM
To: Diane Thompson
Subject: Re: Emailing: NFC CONSENT TO EXCEPTION LOCATION-ROYALE ENERGYMOON CYN #3

Diane,

Will you state the reason for the exception location.

Thank you,
Diana

>>> "Diane Thompson" <dthompson@national-fuel.com> 4/13/2006 4:29 PM
>>>

Re: Exception to Location and Siting of Well - Rule 649-3-3
Royale Energy, Inc. - Moon Canyon #3
Township 16 South - Range 21 East, SLM
Sec. 1: NENW
Grand County, Utah

Dear Ms. Whitney -

Please see attached letter regarding the above-referenced well.

Thank you,

Diane Thompson
National Fuel Corporation
Tel.: 303/996-6775 (direct)
" /220-7772 (PBX)
Fax: " /220-7773

The message is ready to be sent with the following file or link attachments:

NFC CONSENT TO EXCEPTION LOCATION-ROYALE ENERGY MOON CYN #3

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

From: Ed Bonner
To: Mason, Diana
Date: 1/23/2007 11:11 AM
Subject: Well Clearance

CC: Davis, Jim; Garrison, LaVonne; Hill, Brad; Hunt, Gil

The following wells have been given cultural resource clearance by the Trust Lands Cultural Resources Group:

Enduring Resources, LLC

Long Draw 12-24-13-36 (API 43 047 38290)

Bonanza 9-24-14-16 (API 43 047 38658)

Royale Energy, Inc

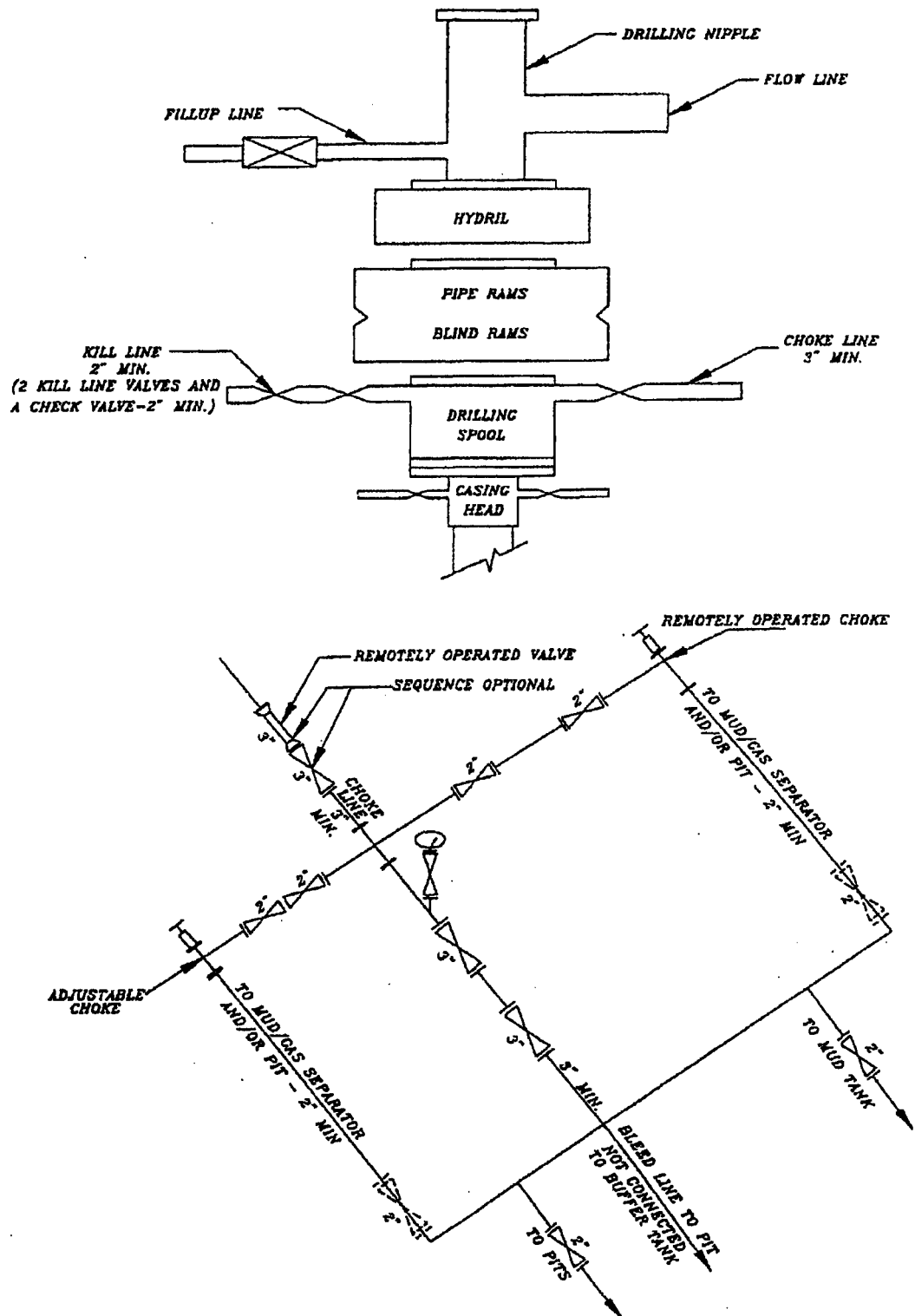
Moon Canyon #3 (API 43 019 31471)

Royalite Petroleum Corporation

Royalite State 16-1 (API 43 031 30013)

If you have any questions regarding this matter please give me a call.

5M BOP STACK and CHOKE MANIFOLD SYSTEM





State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

January 23, 2007

Royale Energy, Inc.
7676 Hazard Center Dr. Suite 1500
San Diego, CA 92108

Re: Moon Canyon #3 Well, 270' FNL, 2190' FWL, NE NW, Sec. 1, T. 16 South,
R. 21 East, Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31471.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Grand County Assessor
SITLA

Operator: Royale Energy, Inc.
Well Name & Number Moon Canyon #3
API Number: 43-019-31471
Lease: ML-47218

Location: NE NW Sec. 1 T. 16 South R. 21 East

Conditions of Approval

1. **General**

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for Permit to Drill.

2. **Notification Requirements**

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

The following are Division of Oil, Gas and Mining contacts and their work telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

3. **Reporting Requirements**

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.
6. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-47218
2. NAME OF OPERATOR: Royale Energy, Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Moon Canyon
3. ADDRESS OF OPERATOR: 7676 Hazard Center Dr 1500 CITY San Diego STATE CA ZIP 92108		7. UNIT or CA AGREEMENT NAME: Moon Canyon
4. LOCATION OF WELL FOOTAGES AT SURFACE: 270' FNL 2,190' FWL		8. WELL NAME and NUMBER: Moon Canyon #3
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 1 16S 21E		9. API NUMBER: 4301931471
COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: permit extension request
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Royale Energy, Inc. requests a one year extension for its Application for Permit to Drill of the above described well.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 01-17-08

By: Brad Gill

COPY SENT TO OPERATOR

Date: 1-22-2008

Initials: KS

NAME (PLEASE PRINT) William Donaldson	TITLE Chief Engineer
SIGNATURE W.D. Donaldson	DATE 15 Jan 08

(This space for State use only)

RECEIVED

JAN 17 2008

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-019-31471
Well Name: Moon Canyon #3
Location: NENW Section 1-T16S-R21E Grand County, UT
Company Permit Issued to: Royale Energy, Inc.
Date Original Permit Issued: 1/23/2007

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☐

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐

W.D. Donaldson
Signature

15 Jan 08
Date

Title: William Donaldson

Representing: Royale Energy, Inc.

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JAN 17 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML - 47218
2. NAME OF OPERATOR: Royale Energy, Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: 7676 Hazard Center Drive S CITY San Diego STATE CA ZIP 92108		7. UNIT or CA AGREEMENT NAME: Moon Canyon
PHONE NUMBER: (619) 881-2800		8. WELL NAME and NUMBER: Moon Canyon 3
4. LOCATION OF WELL FOOTAGES AT SURFACE: 270' FNL, 2190' FWL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 1 16S 21E		9. API NUMBER: 4301931471
COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ACIDIZE <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> DEEPEN <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> PLUG BACK <input type="checkbox"/> PRODUCTION (START/RESUME) <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	<input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> WATER SHUT-OFF <input checked="" type="checkbox"/> OTHER: Permit Extension Request

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Royale Energy, Inc requests a one year extension for its Application for Permit to Drill of the above described well.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 01-21-09
By: [Signature]

NAME (PLEASE PRINT) Mohamed Abdel-Rahman	TITLE VP of Exploration & Production
SIGNATURE [Signature]	DATE 1/7/09

(This space for State use only)

COPY SENT TO OPERATOR

Date: 1-22-2009

Initials: KS

(See Instructions on Reverse Side)

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DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-019-31471
Well Name: Moon Canyon #3
Location: NENW Section 1 T16S R21E Grand County, UT
Company Permit Issued to: Royale Energy, Inc
Date Original Permit Issued: 1/23/2007

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes ☐ No ☐

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes ☐ No ☒

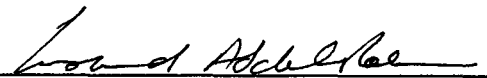
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes ☐ No ☒

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes ☐ No ☒

Has the approved source of water for drilling changed? Yes ☐ No ☒

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes ☐ No ☒

Is bonding still in place, which covers this proposed well? Yes ☒ No ☐


Signature

1/7/09
Date

Title: VP of Exploration and Production

Representing: Royale Energy, Inc

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JAN 13 2009

DIV. OF OIL, GAS & MINING



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 28, 2010

Royale Energy, Inc.
7676 Hazard Center Dr. Ste. 1500
San Diego, CA 92108

Re: APD Rescinded – Moon Canyon 3, Sec. 1 T. 16S, R. 21E
Grand County, Utah API No. 43-019-31471

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 23, 2007. On January 17, 2008 and January 21, 2009, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 28, 2010.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Mason
Environmental Scientist

cc: Well File
SITLA, Ed Bonner

